

Rev-A-News

Our DOR is always open to you.

Compliance and Collection

Wage-Based Employer Taxes

July 1, 2004 is quickly approaching, so a review of the significant changes taking place on that date is in order.

The Department of Labor and Industry's Unemployment Insurance Division will administer the Unemployment Insurance tax program beginning July 1, 2004. Employers will file the Montana Employer's Unemployment Insurance Quarterly Wage Reports (Form UI5) to the Department of Labor and Industry. The first period that should be sent to the Department of Labor and Industry is the second quarter of 2004. After July 1, questions concerning the Unemployment Insurance tax program should be directed to the Department of Labor and Industry.

The Department of Revenue will continue to administer the withholding tax program. Significant changes are taking place in the administration of the program. While employers will continue to submit employees' withholding based on a quarterly, monthly or accelerated schedule, they will no longer be required to file quarterly reports to reconcile payments. Employers will only be required to reconcile their accounts at year-end via form MW-3.

The Department of Revenue is currently in the process of revising form MW-3 to incorporate some process changes resulting from the change from a quarterly reconciliation to an annual reconciliation basis. These revised forms will be sent to employers when completed.

We believe that the process changes to require "annual-only" reconciliation's will be beneficial to the department and Montana employers. We encourage you to call us at (406) 444-6900 should you have any questions or concerns regarding these changes.

Property Assessment Notices

This is the time of the year that the Property Assessment Division generates assessment notices. The first notices are being mailed in March for mobile homes; followed by personal property assessments in April; and real property assessments in May.

In a non-reappraisal year, assessment notices are only mailed to the owners of properties that have had a change in ownership, classification or value since last year.

If you have questions or concerns about the value of your property, you may set up a meeting with your local Department of Revenue (Appraisal/Assessment) Office to discuss your property value. You must request this review within 30 days of receipt of your assessment notice.

Once the assessments have been generated, all assessment information is downloaded to county computer systems for tax billing.

Customer Service

State Income Tax Assistance Available From Department of Revenue

If you have an income tax question or need tax forms, the Montana Department of Revenue is ready to assist you.

"Taxpayers can get assistance on a variety of individual income tax matters through our Customer Service Center, statewide local offices and Internet website," said Don Hoffman, Acting Revenue Director.

Customer Service Center

The Customer Service Center assists both callers and walk-ins Monday through Friday, 8 a.m. - 5 p.m. Customer service consultants and income tax specialists are available to assist taxpayers on individual income tax matters. The center is located in the Sam W. Mitchell Building, 125 North Roberts, in Helena (just east of the State Capitol Building). The telephone number is (406) 444-6900.

The Customer Service Center will offer extended hours on Wednesday, April 14 and Thursday, April 15. Hours will be extended to 8 p.m. both days.

Local Offices

Taxpayers are also invited to visit the department's local offices during normal business hours. Offices are located in Billings, Bozeman, Butte, Great Falls, Glasgow, Helena, Kalispell and Missoula. The offices stock the most commonly used state tax forms, schedules and instructions. In addition, a trained staff is available to provide general information on a variety of income tax issues.

Website

Taxpayers preferring to get information through the Internet may visit the Department of Revenue's website at www.DiscoveringMontana.com/revenue. The site contains basic income tax information, downloadable forms/instructions, and filing tips. Online payment of current and back-year taxes is available through Income Tax Express.

The department reminds taxpayers that electronic filing is a great option, and can be accomplished several ways -- through a tax practitioner who is authorized for IRS e-file, on the Internet using an e-file service, or on a personal computer using off-the-shelf income tax software.

"Taxpayers who file their tax return electronically and also request direct deposit are in the best possible situation," said Hoffman. "That combination can get your refund to you in as few as four days."

Field Office Locations

Billings: 175 North 27th, Suite 1400

Bozeman: 2273 Boot Hill Court, Suite 100

Butte: Butte Courthouse, 155 West Granite, Second Floor

Great Falls: 300 Central Avenue, Suite 520

Glasgow: 501 Court Square #7

Helena: Sam W. Mitchell Building, 125 North Roberts, Third Floor

Kalispell: 100 Financial Drive, Suite 210

Missoula: 2681 Palmer Street, Suite 1

Filing Your Individual Income Tax Return: Some Helpful Information

With April 15 only a week away, the Department of Revenue wants to remind you of the following individual income tax items which may assist in processing your, or your client's, return in a timely fashion.

Montana Extension

If you need to apply for an extension of your Montana individual income tax return, you must apply for a federal extension. Montana's statute provides for an automatic 4-month extension upon applying for a 4-month federal extension and an additional automatic 2-month extension upon applying for the additional 2-month federal extension. Even though you may have applied for a federal extension, your Montana extension is not automatically granted unless you have also met the following estimated tax payment requirements. You must pay by estimated tax payments, withholding tax, or a combination of estimated tax payments and withholding tax, 90% of your current year's tax liability or 100% of your previous year's tax liability.

When filing a return with an extension, be sure to check the box on the back of the return indicating that you have a valid Montana extension.

Health Care Professional Loan Payment Exclusion

We have received numerous telephone calls this season on the qualifications for the maximum \$5,000 exclusion for certain health care professionals (the exclusion is found on line 34 of Montana form 2). As a reminder, to determine qualification for this exclusion you need to answer "yes" to all of the following questions.

- Are you participating in a loan repayment program in which payments are made on your behalf to your student loan? Examples of a loan repayment program include the U. S. Department of Health and Human Services National Health Service Corp and the Nursing Education Loan Repayment programs; the Montana Rural Physician Incentive program; and qualified private programs. Paying back your own health related educational loans do not meet the requirements of this question.
- Do you have a health-related education student loan?
- Are you serving a designated geographic area, special population, or facility population in a federally designated health professional shortage area, a medically underserved area or population, or a federal nursing shortage county? Your employer may assist you in determining if their facility qualifies for one of these areas.
- Are you a health care professional licensed in Montana?

Qualified Endowment Credit

The 2003 legislature repealed the temporary increase in the endowment credit that was to take affect July 1, 2003. When claiming the endowment credit make sure you are using Montana Form QEC revised as of May, 2003. A planned gift qualifying for the endowment credit given after June 30, 2003 qualifies for a credit at the rate of 40% of the present value of the planned gift with a maximum credit of \$10,000. An outright charitable gift given after June 30, 2003 qualifies for a credit at the rate of 20% of the gift with a maximum credit of \$10,000.

Pass-Through Entities

When filing a pass-through entity information return such as a partnership; s. corporation; or a disregarded entity information return, have you accounted for all your non-resident individual owners? When filing a pass-through entity information return that has a non-resident individual owner, you must account for that non-resident individual owner by filing a composite return, a signed consent agreement or submit withholding on that individual's share of Montana source income.

When mailing pass-through entity information returns that include a composite return, consent agreement and/or withholding statement, you can assist the department in processing these returns if you follow the steps outlined below.

- Complete the area on the partnership, s. corporation or disregarded entity return which asks if the composite return, non-resident income tax agreement; and or the non-resident withholding statements are included.

- Do not staple the composite return to the partnership, s. corporation or disregarded entity information return. Staple separately the composite return information and mail with the information return.
- When making a payment of a composite tax, use payment coupon Form IT-Comp and include on the memo line of the check "composite return" and the federal identification number of the entity filing the return.
- When making a payment using Form PT-WH include a separate check for the total amount shown on Form PT-WHREM and include on the memo line of the check "PT-WHREM" and the federal identification number of the entity paying and filing the withholding statements.
- Assure that all PT-NRA statements are signed and dated by the non-resident individual and submitted with the information return.

Filing Your 2003 Montana Income Tax Return: Avoid The "Top 5" Common Mistakes

The following is a list of the five most common mistakes made when filing the 2003 Montana income tax long form, short form and 2EC.

1. Error in computing the standard deduction, line 22a on the short form 2S. Be sure to follow the instructions on the worksheet carefully. A filer can take the standard deduction or federal income taxes paid/withheld. Some filers mistakenly believe they get the standard deduction plus federal taxes paid.
2. Misplaced information. Make sure you place figures and totals on the appropriate lines.
3. Errors in math (adding, subtracting, multiplying, dividing). These types of errors occur frequently, in areas such as state withholding, tax owing or refund, or any section requiring totals be calculated.
4. Error in computing the exemption(s). All filers are entitled to at least one exemption. The proper way to calculate the exemption (box 41 of the long form and box 23 of the short form) is by using the number in box 5 and multiplying it by \$1,780.
5. Error in computing tax liability. Make sure you locate the correct tax rate for you, using the tax rate table provided on the form. Basically, you will take your taxable income (from line 42 of the long form or line 25 of the short form), multiply it by the correct tax rate (2% - 11%), and then subtract the amount indicated in the tax table. This will give you the tax due.

For example: \$24,000 *taxable income* x 8% (.08) *tax rate* = \$1,920, then subtract \$688 for a *tax due* of \$1,232.

Direct Debit-File Now, Pay Later!

E-file for income tax is in full swing. Direct debit is a new e-file option this year in Montana. Direct debit allows you to provide your bank account information to pay taxes due while you are e-filing. You can indicate the date you wish to have your account debited. As of April 2, the department has received 1388 Direct Debit e-filed returns and of this number 356 have requested to have their account debited on April 15. This feature of indicating a later date for the debit transaction is called warehousing. The beauty of this option is that you can get your tax return filing and payment out of the way before the due date of April 15.

Bozeman Office

The Montana Department of Revenue's local office in Bozeman has relocated to new office space off Simmental Way across from United Parcel Service (UPS) on Boot Hill Court.

According to John Grimm, regional manager, the local office had outgrown its former office spaces located at 601 - 603 Nikles Drive. About 23 appraisal/assessment and audit employees worked in the two adjacent office spaces.

The new address is 2273 Boot Hill Court, Suite 100, Bozeman, MT 59715. The telephone number will remain the same: (406) 582-3400.

About the Agency

In the News

With the April 15 tax-filing deadline looming on the horizon, the Montana Department of Revenue recently participated in a "tax season" media event on March 25. The purpose of the event was to urge taxpayers to take advantage of the Montana Free File Alliance, a partnership with private tax software companies that provides free online tax preparation and electronic filing to eligible taxpayers.

Neil Peterson, the Department of Revenue's administrator for Customer Service, was joined at the media event by Teresa Thompson from the Internal Revenue Service (IRS) and David Macklin, a representative from the Computer & Communications Industry Association (CCIA).

The Montana Free File Alliance is modeled after the federal Free File Alliance, through which the IRS has partnered with the private tax software industry to provide free online tax services to approximately 60% of taxpayers nationwide at no cost to either the public treasury or the users of the service. This free service allows many taxpayers to file their state income tax returns more quickly and accurately, which often means finding deductions and credits that may lead to a larger tax refund.

The media event was held at Helena's Lewis and Clark Library, which provides free Internet access to the community and is one example of the many resources that are available for those looking to take advantage of the Montana Free File Alliance. The Alliances allow taxpayers to choose from multiple private sector offerings and then directs them to a private company's website, where they can use the free service to prepare and file their returns electronically.

"The Free File Alliance makes it possible for thousands of hard-working Montana taxpayers to prepare and file both their state and federal taxes online for free. These services will ensure that taxpayers are able to claim all the credits and deductions to which they are entitled, making tax time less taxing for thousands of citizens," said Peterson. "If citizens file their returns electronically and use direct deposit, they can receive their state tax refund in as little as seven to ten days. I urge all taxpayers to visit www.discoveringmontana.com/revenue to see if they're eligible to take advantage of the free services that the Free File Alliance offers."

Latest IRIS Project Accomplishments

The department has realized the next two milestones for the Integrated Revenue Information System (IRIS) project. On March 29, we went live for the second and third rollouts - Cigarette Tax and Lodging Facilities Sales & Use Tax. So far, major milestones have been accomplished right on time or early, as is the case with Cigarette Tax. The first rollout, Rental Vehicle Tax, continues to successfully process payments and returns, bringing in considerably more revenue than was originally anticipated.

Work is also underway on the remaining rollouts - Withholding Tax and Combined Oil & Gas (COGS). The Revenue Accounting portion of the system, which supports all tax types in IRIS, has been tested and successfully transmits revenue transactions to the statewide accounting system (SABHRS). We look forward to many other project successes throughout the summer. Withholding Tax is scheduled to rollout in July 2004, followed by COGS in August.

Revenue Employee Deployed

In January, we told you about Doug Miller, an employee in the Business and Income Taxes Division and a member of the Montana National Guard unit that was called for a two-year deployment in Operation Enduring Freedom.

Doug Miller is a former Captain in the Army who served 3 1/2 years before joining the National Guard. He has 24 years of service in the Army and National Guard. He is now a Sergeant in the National Guard and a Helicopter Mechanic with Company L - 151st Aviation. In Iraq, he will be part of the DART team, which stands for "Downed Aircraft Retrieval Team."

Doug is the first one on the left hand side, second row.

Meet Our Leadership

Don Hoffman, Acting Director

Don Hoffman, who currently serves as the Department of Revenue's acting director, has worked in the department for 29 years. Don began his career with the department in 1975, working as an auditor. He served as a bureau chief of the Property Assessment Division from 1979 to 1982, and as bureau chief of the Natural Resource and Corporation Tax Division from 1982 to 1998. Most recently, Don was the administrator of the Business and Income Taxes Division, a position he held from 1998 until March 2004. Don graduated from the University of Montana in 1974 with a degree in accounting. He lives in Helena with his wife, Geri, and has two children, Melissa and Brett.

Calendar of Events

Committee Meetings

For updated committee membership, agendas, minutes and reports, visit our website at www.discoveringmontana.com/revenue.

Property Tax Exemption Legislative Interim Committee, MACo Conference Room, 2715 Skyway Drive, Helena, Montana, April 28, 8:30 a.m. to 5 p.m.

Tax Reform Legislative Interim Committee, Capitol Room 317, Helena, Montana, May 6, 1 p.m. to 5 p.m.

Joint Meeting of the Tax Reform Study Committee and the Property Tax Reappraisal Study Committee, Capitol Room 317, May 7, 8:30 a.m. to 10 a.m.

Tax Reform Legislative Interim Committee, Capitol Room 317, Helena, Montana, May 7, 10:15 a.m. to 5 p.m.

Property Tax Reappraisal Legislative Interim Committee, Capitol Room 350, Helena, Montana, May 7, 10:30 a.m. to 5 p.m.

Career Opportunities

The Department of Revenue posts new job opportunities on Wednesday and Friday each week. Visit our website www.discoveringmontana.com/revenue and go to About the Agency for current job opportunities.